



SHEPP

SASKATCHEWAN HEALTHCARE
EMPLOYEES' PENSION PLAN

April 2009

News



For SHEPP members

SHEPP and the Financial Markets

SHEPP's rate of investment return in 2008 was -19.8 per cent (compared to our benchmark portfolio return of -21.17 per cent). This places us well within the range of returns experienced by Canadian pension plans in 2008.

Our investment return in 2008 was driven largely by the decline in the world equity markets. The fact that we generated a higher return than the benchmark portfolio means that the firms hired to perform the day-to-day investment management of the fund added value. The benchmark return represents the rate of return that would be achieved by a weighted distribution amongst various asset classes.

So, this means that we had a rough year that produced a significant negative rate of return, but given the markets in which we were invested, our managers performed well.



SHEPP is a relatively young plan. The contributions that we receive each year exceed our benefit and administration expenses and will do so for a number of years yet. This means that we have a long-term investment horizon and there is time for us to recover from the poor market performance of 2008.

We have developed and implemented carefully considered investment policies and procedures which we expect will successfully weather this recent financial market storm. We will continue to plan strategies and seek out opportunities to deliver a superior rate of return within the level of risk that a plan, upon which over 31,000 active healthcare workers are relying to provide meaningful and affordable retirement income, can reasonably expect to take. It is not an easy task nor is it for the faint of heart.

SHEPP is a defined benefit plan. When the market value of a defined benefit plan's assets decrease due to a negative rate of return, there is less money to pay the promised benefits. If there is significantly less money the plan could fall into a deficit position. That is when the market value of the plan's assets is less than the amount required to pay its obligations. When a plan falls into a deficit, higher contribution rates are required.

As a result of the decline in the market value of the plan's assets to December 31, 2008, and the expectation that a quick recovery of the financial markets is not likely to occur, the plan actuary has recommended to the Board of Trustees that member and employer contribution rates be increased effective the start of the first pay period in April 2010. In accordance with the SHEPP Trust Agreement, the Board of Trustees must approve that recommendation. Accordingly, member and employer contribution rates will increase as follows:

	Member Rate ≤ YMPE	Member Rate > YMPE	Employer Rate ≤ YMPE	Employer Rate > YMPE
Current Rate	6.6%	9.0%	7.392%	10.080%
New Rate April 2010	7.2%	9.6%	8.064%	10.752%

YMPE - Year's Maximum Pensionable Earnings under the Canada Pension Plan. The YMPE for 2009 is \$46,300.

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Members' Annual Statements

SHEPP's annual statements are one of the key components of the plan's communication program for active plan members. The annual statement shows members how their specific plan entitlement is building year by year. The statements report to the members their actual highest average contributory earnings and their credited service to the date of the statement. Highest average contributory earnings and credited service are the building blocks of SHEPP pensions. The higher a member's average contributory earnings and/or the greater the member's credited service on retirement, all else being equal, the greater the member's pension on retirement.

All plan member statements report the member's accrued pension to the statement date. A member's December 31, 2008 SHEPP member's annual statement reports the pension the member has earned to December 31, 2008.

For plan members employed on a permanent full-time or permanent part-time basis, the statement also reports the estimated pension payable on normal retirement (age 65) and, if the member qualifies, on unreduced early retirement prior to age 65.

The statements reflect estimates based upon the member's highest average contributory earnings and based upon the member's accrued credited service to the statement date plus expected credited service to the member's projected retirement date. For example, if a member's statement indicates that she is projected to qualify for unreduced early retirement on July 1, 2020, it means that the member's age plus credited service, assuming she earns full credited service from January 1, 2009 to June 30, 2020, will total 80 years on July 1, 2020 qualifying her for unreduced early retirement.

Plan members are cautioned to remember that the normal and early retirement projections reported in the statements are estimates only and the member's actual entitlement under the plan will be determined based upon the member's actual highest average earnings and credited service on the member's actual retirement date.

Financial Markets (continued)

The next actuarial valuation of the plan must be performed no later than December 31, 2010 but may be performed earlier. Further contribution rate increases may be recommended by the actuary based upon the results of the next actuarial valuation.

The Board of Trustees has been in close joint communication with the SHEPP Employer Partner Committee and Union Partner Committee during the past number of months to inform them of the effect of the market decline upon SHEPP's funded status. Under the terms of the SHEPP Trust Agreement, only the Partner Committees have the ability to make a benefit change, through agreement in writing, that would result in an increase or reduction to the cost of the plan.

The market events of 2008 have presented us with a new funding challenge. The action taken to increase member and employer contribution rates in April 2010 is a necessary effort toward meeting that challenge and sustaining the plan. The SHEPP Board of Trustees is carefully monitoring the situation with the plan actuary and its professional investment advisors, and communicating with the Partner Committees to further develop and apply its funding action plan.

2008 Annual Report

SHEPP's annual report will be available the first two weeks in June. The report summarizes SHEPP's operational, investment and financial results for 2008.

You can download the report from SHEPP's web site at www.shepp.ca. If you would prefer a paper copy, let us know at sheppinfo@shepp.ca and we will mail one to you.



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This newsletter contains general information only. In the event of any error or misunderstanding, the terms of the plan text will apply. Here is our contact information:

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